

FISCAL NOTE

Bill #: SB0323

Title: Carryback and carryforward contractor's gross receipts tax -- corporate income

Primary Sponsor: Black, J

Status: As Amended

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	(\$350,000)
Net Impact on General Fund Balance:	\$0	(\$350,000)

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- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

ASSUMPTIONS:

1. Under current law, public contractors are allowed to offset any personal property tax paid during the tax year with gross receipts taxes paid during the year. FY 2004 year-end SABHRS reports show a total of \$1,602,145 in contractors gross receipt tax used to offset personal property taxes paid by public works contractors. Any gross receipts tax remaining after offsetting personal property taxes may then be used as a credit against individual or corporate income tax liabilities. FY 2004 year-end SABHRS reports show a total of \$2,281,476 in contractor's gross receipts tax taken as a credit against individual and corporate income tax liabilities. The amount of the credit taken may not exceed the contractor's individual income or corporation license tax liability, and may not be carried forward or backward.
2. As amended, this bill would provide for a five-year carryforward of the individual income and corporate tax credits available from unused public contractor's gross receipts tax. For example, during a year when the contractor has an income tax liability that is less than the amount of contractor's gross receipt tax available to be taken as a credit, the contractor would be allowed to carry forward any unused credit and apply it against future years' income tax liability.
3. After reviewing Department of Revenue files pertaining to FY 2004 requests for the contractor's gross receipts tax credit, it is estimated that the total amount of unused credits remaining after personal property offsets and income tax credits was about \$350,000. For the purposes of this fiscal note, it is assumed that in any given year \$350,000 of contractor's gross receipt credit will be eligible to be carried forward.

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(continued)

4. The bill is effective upon passage and approval, and applies retroactively to tax years beginning after December 31, 2004 (TY 2005). There is no impact from this proposal in FY 2006. Unused credits from TY 2005 will be carried forward and applied to TY 2006 tax liabilities, paid during FY 2007, and will reduce tax liabilities by \$350,000 more than they would under current law. This reduces general fund revenues by \$350,000 in FY 2007, and each fiscal year thereafter.
5. There are no administrative impacts associated with this bill.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$0	(\$350,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	(\$350,000)

LONG-RANGE IMPACTS:

This bill will reduce general fund revenue from carryforward of the contractor's gross receipt tax in future years by about \$350,000 each year.